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SUBJECT: TAJIKISTAN - IMPLEMENTATION OF ENERGY EMERGENCY PLAN IN DOUBT

¶1. (U) This message is sensitive but unclassified. Please protect accordingly.

¶2. (SBU) Summary: Recent discussions with the World Bank Dushanbe office, and with various government ministries, have revealed that the Government of Tajikistan is not implementing plans to avoid another winter power emergency in a coordinated fashion, slowing progress on an issue which is key to Tajikistan's stability. End Summary.

¶3. (SBU) PolEcon Chief spoke with Jariya Hoffman, World Bank acting resident representative on July 18, concerning progress on the Government of Tajikistan's Energy Emergency Mitigation Action Plan (EEMAP), supported by the World Bank and designed to avoid a repetition of last winter's severe energy shortages. Hoffman said the World Bank had not had a resident specialist to monitor implementation of EEMAP since April, and was looking for a new person to fill this position. She said she worried that procurement of fuel oil, and of electrical distribution equipment to repair Tajikistan's dilapidated infrastructure was lagging, and that the Government was generally making little progress on implementation of EEMAP.

¶4. (SBU) Key elements of EEMAP include stockpiling 30,000 tons of "mazut" fuel oil, purchase and installation of a myriad of new electrical distribution equipment around the country to reduce losses and lower the incidence of system breakdowns experienced last winter, improvements to gas distribution to reduce losses, and payment of outstanding debts to Uzbekistan for gas, to ensure future deliveries of gas from them if needed. The plan, approved by the Prime Minister in February 2008, estimates costs for these measures at \$20 million. The World Bank has provided \$6.6 million, while other donors and the state owned power and gas monopolies are to provide the rest. The Minister of Economic Development and Trade was named Chairman of the interministerial commission to oversee implementation of EEMAP.

¶5. (SBU) On July 21 PolEcon Chief also met with Deputy Ministry of Energy Pulod Muhiddinov, to discuss progress on EEMAP. Muhiddinov said he was largely ignorant of the status of the project, as the Ministry of Energy had been cut out of implementation of the plan. He said the Ministry of Finance was the authorized government structure to handle a \$6.5 million World Bank grant to support the EEMAP, and that World Bank grant money would be used for fuel oil purchase, spare parts for electric networks and switchboards, and natural gas purchase. The Ministry of Finance was responsible for conducting tenders for all purchases, but Muhiddinov believed that the fuel oil purchase agreement the Finance Ministry had concluded was significantly higher than prices the Ministry of Energy could find. He said Finance was agreeing to pay up to \$500 per ton of fuel oil, when Energy could buy for around \$400 per ton [Note: both prices much higher than the \$300 per ton envisaged in the EEMAP document itself].

ELECTRICITY RATIONING COMING SOON

¶6. (SBU) Muhiddinov said that electricity rationing in Tajikistan would begin September 10 or 15, and would apply to the whole country except Dushanbe. When Emboff asked about rationing in Khujand, Tajikistan's second city which experienced severe shortages for months last winter and spring. Muhiddinov said the Government would try to allow more electricity there than it did last winter. He said that the Tajik Aluminum Company (TALCO), which accounts for 40 percent of all electricity consumption in Tajikistan, would buy electricity from Turkmenistan to avoid having its massive needs impact on supplies for the general population. He predicted the next winter would not see a power crisis of the seriousness of last winter, noting that the Sangtuda-1 hydropower station was now partly operational, and after completion would provide 2.7 Billion Kilowatt Hours (KWH) per year, and that water conservation in other reservoirs would yield an additional 300-400 million KWH. Muhiddinov further predicted that regions outside Dushanbe would receive 5 hours per day of additional electricity this upcoming winter.

¶7. (SBU) Emboff next called on Deputy Minister of Finance Shavkat Sohibov, the Ministry's coordinator for the World Bank grant to support EEMAP implementation. He was bemused to hear that his ministry had concluded any procurement deals related to EEMAP, whether for fuel oil or otherwise. Sohibov said the Ministry had made no deals, and had just a few days earlier announced tenders for procurement of fuel oil, electrical distribution equipment, and equipment to improve gas distribution. He said the three beneficiary organizations of the World Bank grant, electrical monopoly Barki Tojik, gas monopoly TajikGaz, and Kommunalnoye Hozhiastvo (communal services), would have to pay the Ministry of

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Finance back for their portions of the grant, at no interest and over a period of 5-6 years, "so that they don't treat this like a present from Santa Claus." Shibov said the Ministry of Finance became the implementing partner of the World Bank because the World Bank did not trust Barki Tojik and TajikGaz, but trusted the Ministry of Finance to handle the project in a transparent manner. He complained that he lacked specialists in procurement and engineering to advise him, and said he could not ask for help from Barki Tojik and TajikGaz because of conflicts of interest.

¶8. (SBU) Sohibov said he believed that other donors, including Saudi Arabia, Kuwait, and Russia, had provided about \$4 million to support EEMAP, but he did not know what other financing there might be from Barki Tojik or TajikGaz. Sohibov said he had had no contact with the interministerial commission chaired by the Minister of Economy and Trade to oversee implementation of EEMAP, and was unsure whether the commission even still existed.

NO INFORMATION, ALL AROUND

¶9. (SBU) Neither Muhiddinov nor Sohibov could offer any information on the repayment of gas debts to Uzbekistan, advising us to ask Barki Tojik and TajikGaz for that information. On July 21 news services reported that Uzbekistan had reduced gas supplies to Tajikistan from 30,000-40,000 cubic meters per hour to 22,000 cubic meters per hour because of non-payment of TajikGaz' \$7 million debt to Uzbek suppliers.

¶10. (SBU) Embassy contacted the Ministry of Economic Development and Trade on July 21 to inquire about their efforts to oversee implementation of EEMAP. Chief of the Department of State Purchases Odina Odinaev told embassy staff that the Government of Tajikistan had sent a letter to "the international community" through the local UNDP office requesting \$25 million for EEMAP. He said that as of April 30, 2008 Tajikistan had received \$9 million from various donors, including contributions of fuel oil from Iran and Kazakhstan. He said the last meeting the Minister of Economic Development and Trade had with the interministerial working group on the energy crisis was on May 8, 2008. Mr. Odinaev professed to be unaware of the World Bank's \$6.5 million grant to support EEMAP, despite its central place in EEMAP planning documents.

¶11. (SBU) Embassy Staff also spoke on July 21 with the First Deputy Chairman of Barki Tojik, Mr. Alexei Silantiev. Silantiev said the World Bank and Ministry of Finance were slow to make any decisions on procurements for EEMAP. He said that Barki Tojik had 5,800 tons of Kazakh and Iranian mazut, but did not have the money to buy the 30,000 tons called for in EEMAP, nor the electrical distribution equipment called for in the plan. He opined that since February 2008 nothing had been done in Tajikistan to get ready for the next winter.

¶12. (SBU) Embassy then contacted Abdullo Yorov, Chief Adviser to the President on Energy Issues and a former Minister of Energy. He told Embassy staff that he was not aware of the status of implementation of EEMAP, and suggested we contact the Ministry of Economic Development and Trade.

¶13. (SBU) Comment: That the Government will soon implement power rationing to conserve water in hydropower reservoirs is a good sign. But the local World Bank Acting Representative is right to be concerned that the Government is not effectively implementing EEMAP. While the World Bank's share of the plan seems to be moving along, ¶ While the World Bank's share of the plan seems to be moving along, if slowly, we could get no straight answer from anyone in government about the overall status of EEMAP. Despite the harsh experience of last winter, Tajik officialdom's winter emergency planning seems based on hope rather than on coordinated preparation. As matters appear now, we are headed for another appeal for a massive bailout from the GOTI when things get rough this winter. End Comment.

Jacobson